

## ATTACHMENT 6

### Durham Downtown Rental Housing Subsidy Program DRAFT Program Guidelines 12-30-15

#### Program Description

The Downtown Rental Subsidy Program provides rental subsidies to owners of qualified buildings in the downtown on behalf of eligible tenants in order to make affordable housing available to low-income households. The program will be funded with local Dedicated Funding Source (DFS) funds.

#### Relevant Market Characteristics

Durham's downtown has seen recent development of market rate housing, which is contributing to a vibrant live, work, play environment in the downtown. Unfortunately, escalating rents in the downtown prevent lower-income Durham residents from moving downtown. At the same time, the high vacancy rate in many new downtown properties provides an opportunity for the City to secure affordable housing options for low-income households in the downtown.

#### Geography

Properties located in the Downtown Design District.

#### Administering Agency

The City of Durham's Department of Community Development (DCD) is responsible for managing this program.

#### Program Eligibility Requirements

##### Tenants

- *Income*
  - Must have income between 60-80% AMI, as follows:

<b>2015 Durham-Chapel Hill Metro Area Income Limits</b>	<b>1 person</b>	<b>2 person</b>	<b>3 person</b>	<b>4 person</b>
30% Limit	14150	16200	18200	20200
50% Limit	23600	27000	30350	33700
<b>60% Limit</b>	<b>28320</b>	<b>32400</b>	<b>36420</b>	<b>40440</b>
<b>80% limit</b>	<b>37750</b>	<b>43150</b>	<b>48550</b>	<b>53900</b>

- *Employment*

- [Note: The City may choose to give preference to individuals employed in specific sectors, such as K-12 education or first responders or families.]
- *Residency*
  - Preference will be given to existing City of Durham residents who have lived in the City of Durham for at least 5 years.

#### Property Owners

- Eligible properties will be approved by DCD at program inception
- Property owners must agree in writing to the City's policies outlined below
- Properties must be 1980 or newer

#### **Eligible Activities/Costs**

The City of Durham will provide rental subsidies only; no funding will be provided for security or utility deposits. [Note: Limiting the subsidy to monthly rent helps control program costs, but the cost of the deposit may create a barrier to participation, particularly for lower-income households.]

#### **Key Policies**

##### Term Limits on Assistance

Rental assistance will be limited to one year, with the option to renew for an additional year. The option to renew will be based on DFS funding availability and subject to DCD review and approval. Households will not be eligible for more than two years of rental assistance through this program.

##### Rent Reasonableness and Payment Standard

Property owners must agree to rent units to households at reasonable rents. Rents must meet rent reasonableness standards for comparable units and not exceed the payment standard for the program.

The Payment Standard will be based on the rent standard set for the program (see below), which will be updated annually by DCD on January 1<sup>st</sup>. The amount of the monthly rental assistance the City may provide to eligible households may not exceed the difference between the payment standard (by bedroom size) and 30 percent of the household's monthly adjusted income. The Payment Standard must include an allowance for utilities in accordance with HUD's utility schedule model at <http://www.huduser.gov/portal/resources/utilallowance.html>.

[Note: The City has several options in determining the payment standard. Four options are discussed below. The City should decide the best option, given market conditions, target clientele and budget.]

Option 1: HUD Fair Market Rent	Option 2: Average Downtown Market Rent	Option 3: Lowest Downtown Market Rent	Option 4: Average City-wide Rent for Properties with 50+ units
<ul style="list-style-type: none"> <li>•Efficiency: \$632</li> <li>•One Bedroom: \$787</li> <li>•Two Bedroom: \$926</li> <li>•Three Bedroom: \$1,247</li> </ul>	<ul style="list-style-type: none"> <li>•Efficiency: \$1,005</li> <li>•One Bedroom: \$1,270</li> <li>•Two Bedroom: \$1,522</li> <li>•Three Bedroom: \$2,427</li> </ul>	<ul style="list-style-type: none"> <li>•Efficiency: \$875</li> <li>•One Bedroom: \$1,095</li> <li>•Two Bedroom: \$1,313</li> <li>•Three Bedroom: \$2,198</li> </ul>	<ul style="list-style-type: none"> <li>•Efficiency: \$828</li> <li>•One Bedroom: \$883</li> <li>•Two Bedroom: \$989</li> <li>•Three Bedroom: \$1,097</li> </ul>
<ul style="list-style-type: none"> <li>•Cost Assumptions for a 2BR</li> <li>•\$850 represents 30% of household income</li> </ul>	<ul style="list-style-type: none"> <li>•Cost Assumptions for a 2BR</li> <li>•\$850 represents 30% of household income</li> </ul>	<ul style="list-style-type: none"> <li>•Cost Assumptions for a 2BR</li> <li>•\$850 represents 30% of household income</li> </ul>	<ul style="list-style-type: none"> <li>•Cost Assumptions for a 2BR</li> <li>•\$850 represents 30% of household income</li> </ul>
<ul style="list-style-type: none"> <li>•City portion of rent would equal \$76/mo or \$912/yr.</li> </ul>	<ul style="list-style-type: none"> <li>•City portion of rent would equal \$672/mo or \$8,064/yr.</li> </ul>	<ul style="list-style-type: none"> <li>•City portion of rent would equal \$463/mo or \$5,556/yr.</li> </ul>	<ul style="list-style-type: none"> <li>•City portion of rent would equal \$139/mo or \$1,668/yr.</li> </ul>

**Option 1:** Best option for the City given current market (vacancy) conditions in the downtown, and would limit the perception of subsidizing luxury apartment owners as HUD FMR is the standard used for other rental subsidy programs such as the HUD Section 8 program. May not be acceptable to property owners.

**Option 2:** Worst case scenario for City as it represents the highest cost and will assist the least amount of households, and on the surface would appear the City is subsidizing luxury apartment owners

**Option 3:** Not ideal but may be the middle ground, in favor of the property owners.

**Option 4:** Middle ground, in favor of the City.

#### Maximum and Minimum Rent Standard

The maximum and minimum rent, including utility allowance, a tenant or household must pay is equal to 30% of the household's monthly adjusted household income.

#### Inspection Requirements

Prior to executing a lease with the property owner, DCD must inspect the unit to verify compliance with HUD's Housing Quality Standards (HQS) and local property standards.

#### Property Standards

DCD will use the City of Durham's Minimum Housing Standards and related protocols to assess the condition of selected units.

#### Lead-based Paint

Properties older than 1978 are not eligible for this program.

### Accessibility

Property owners must make available, units that meet accessibility requirements under Section 504 of the Rehab Act, the American with Disabilities Act, and the Federal Fair Housing Act Amendments, or be willing to make the necessary modifications at their own expense, as applicable.

### Tenant Selection Policy

Tenants approved for the subsidy program must be approved according to DCD's written tenant selection process.

### Income Standard and Verification

The income eligibility of tenants will be determine using the Section 8 (Part 5) definition of income found at 24CFR Part 5.609, and will be verified during initial occupancy and at lease renewal, as applicable.

### Lease Requirements

Leases will be for a minimum of at **least** one year in length.

### Termination/Eviction

DCD will establish a termination or eviction policy. During the application process tenants must sign a "program agreement" indicating their acceptance of DCD rental subsidy program policies and adherence to such policies.

### **Funding Resources**

The planned funding source for the Rental Subsidy Program is the Dedicated Funding Source (DFS).

### **Objectives**

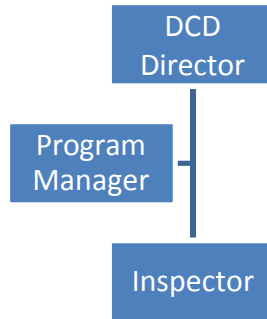
The objective of the Downtown Rental Subsidy Program is to facilitate a mixed income, live, work and play environment in the downtown by providing affordable housing opportunities to eligible low-income Durham residents.

### **Partners (if applicable)**

[Note: Could include OEWD, for example, if taking referrals under a workforce training program, or targeted employers etc.]

### **Administration**

DCD will administer the program under the following structure: [Note: This is an example, which assumes 50 households served per year. The actual structure will depend on the anticipated volume of households funded.]



Director will have the following responsibilities (5% FTE):

- Oversight of the Rental Subsidy Program
- Approval of all program documents
- Approval of contracts with property owners
- Reporting of program to City Manager/Council/Mayor
- Maintaining program budget
- Approving lease renewal requests

Program Manager will have the following responsibilities (30% FTE):

- Marketing the program
- Developing program guidelines and related protocols and documents
- Identifying property owners and structuring agreements with owners
- Coordinating unit/property inspections
- Intake and eligibility determination of households
- Issuing Rental Subsidy coupons to eligible households
- Approving unit requests
- Preparing and executing Leases
- Making monthly rental subsidy payments to property owners
- Reviewing monthly reports
- Monitoring lease renewals

Inspector will have the following responsibilities (5% FTE):

- Inspecting units/property for program eligibility
- Documenting unit inspections
- Working with property owners to clear any inspection issues

### **Program Delivery Workflow (example)**

#### **1. Intake and Approval**

##### **Tenant**

DCD will use a variety of methods to market the program including announcing the program on the City's website, and providing brochures at libraries, apartment complexes, and in City offices. Whichever method is used, the City will follow its written tenant selection process, to identify, screen and select eligible households.

DCD will verify all factors that relate to the household's eligibility -- the household composition, residency preference and income information provided by the household. DCD will use source documentation (for example, wage or interest statements) for households to determine the income eligibility and will verify employment. Eligible households will enter into a "program agreement" with DCD for the Downtown Rental Subsidy Program.

#### Property/Owner

At program inception, DCD will market the program to property owners in the downtown and select property owners to participate in the program based on eligibility. Each property owner identified for the program will enter into an agreement to provide a specified number of units to low-income Rental Subsidy coupon holders. DCD will attempt to secure an equal number of units for low-income households at each property. Selected property owners will be identified in marketing materials and households will have the choice of eligible properties, subject to unit and funding availability. [Note: By approving owners and a set number of units in each property, the City will "secure" the availability of the units. The City could also just select property owners who agree to abide by program regulations and rents and not seek to secure a specific number of units.]

#### 2. Voucher Issuance

Once a household is determined eligible and selected to receive assistance, DCD will issue the household a Rental Subsidy coupon. This is the family's authorization to look for housing at eligible properties. DCD will provide a 30-day deadline for the family to locate housing at eligible properties.

#### 3. Request for Unit Approval

When the household finds its desired unit, they must submit a request for unit approval and for using the Rental Subsidy coupon to rent the unit. After receiving the Unit Approval Request, DCD staff will inspect the unit to ensure that it meets HQS and to ensure rent the owner is charging for the unit is based on the FMR per program requirements. DCD staff will review the tenant portion and rental subsidy portion of the tenant's rent with the tenant and property owner.

#### 4. Lease Execution

Once DCD has inspected and accepted the unit and reviewed the rent with the owner and household, the household and the owner must execute a lease specifying total rent, specifically the household portion and rental subsidy program portion, and the duration of the lease (maximum of one year with an option to renew with DCD approval).

#### 5. Monthly Reporting

Property owners will provide DCD with monthly status reports for units lease under the Rental Subsidy program. Reports will verify receipt of tenant paid portion of rent and Subsidy portion of the rent, and overall compliance with program requirements.

## 6. Lease Renewal

60-days prior to the end of the one year lease, the household must request a lease renewal from DCD. DCD will then:

- Assess current funding available to assist the lease renewal
- Verify households eligibility for the program (income and employment)
- Re-inspect the unit to confirm the unit continues to meet property standards
- DCD will review records of rental payments to determine that the rents remain reasonable, and approving rent increases as applicable.

### **Additional documents required to manage program:**

- Program application
- Program brochure and other marketing materials
- Income eligibility documentation forms
- Program agreements (owner and tenant)
- Tenant selection plan
- Tenant termination/eviction policy
- Unit approval request form
- Lease template
- Rental subsidy coupon form
- Inspection forms

[Note: Enterprise can provide sample forms and templates to assist DCD in developing the above documents. The program application, income eligibility forms, program agreement and tenant selection plan would be the priority.]



## Estimated Program Costs (by Option)

The estimates below assume the program is up and running. The following should be taken into consideration when reviewing:

- The total costs of the rental subsidy itself will vary somewhat from the estimates depending on size and income level of households served, and size of units selected.
- In addition to the program staff indicated below, additional staff support would be required from specialist staff responsible for contract processing, financial management, monitoring and compliance.
- There would be additional costs associated with program start-up, primarily for staff time involved in preparing all of the program documents, enlisting landlord participation and recruiting participants.

Finally, it is important to note that the estimates below indicate staffing level required. This does not necessarily mean that DCD currently has staff capacity available to start up and run a rental subsidy program. DCD will need to review its organizational structure and staff capacity in light of all of the priorities being established through the current planning effort.

### Option 1: HUD Fair Market Rent

<b>Assumptions:</b>		
Unit Size: 2BR Unit		
Unit Rent: \$926		
30% of monthly household income: \$850 (total annual income ≈ \$35,000)		
Rental Subsidy Costs	1 Year Cost Total	2 Year Cost Total
50 Households Assisted	\$45,600	\$91,200
Program Staffing Costs	1 Year Cost Total	2 Year Cost Total
Director @ .05 FTE	TBD	TBD
Program Manager @ .30 FTE	TBD	TBD
Inspector @ .05 FTE	TBD	TBD
<b>Staffing Subtotal</b>		

### Option 2: Average Downtown Market Rent

<b>Assumptions:</b>		
Unit Size: 2BR Unit		
Unit Rent: \$1,522		
30% of monthly household income: \$850 (total annual income ≈ \$35,000)		
Rental Subsidy Costs	1 Year Cost Total	2 Year Cost Total
50 Households Assisted	\$403,200	\$806,400
Staffing Costs	1 Year Cost Total	2 Year Cost Total
Director @ .05 FTE	TBD	TBD
Program Manager @ .30 FTE	TBD	TBD
Inspector @ .05 FTE	TBD	TBD
<b>Staffing Subtotal</b>		



*Option 3: Lowest Downtown Market Rent*

<b>Assumptions:</b>		
Unit Size: 2BR Unit		
Unit Rent: \$1,313		
30% of monthly household income: \$850 (total annual income ≈ \$35,000)		
Rental Subsidy Costs	1 Year Cost Total	2 Year Cost Total
50 Households Assisted	\$277,800	\$555,600
Staffing Costs	1 Year Cost Total	2 Year Cost Total
Director @ .05 FTE	TBD	TBD
Program Manager @ .30 FTE	TBD	TBD
Inspector @ .05 FTE	TBD	TBD
<b>Staffing Subtotal</b>		

*Option 4: Average City-wide Rent - Properties with 50+ units*

<b>Assumptions:</b>		
Unit Size: 2BR Unit		
Unit Rent: \$989		
30% of monthly household income: \$850 (total annual income ≈ \$35,000)		
Rental Subsidy Costs	1 Year Cost Total	2 Year Cost Total
50 Households Assisted	\$83,400	\$166,800
Staffing Costs	1 Year Cost Total	2 Year Cost Total
Director @ .05 FTE	TBD	TBD
Program Manager @ .30 FTE	TBD	TBD
Inspector @ .05 FTE	TBD	TBD
<b>Staffing Subtotal</b>		